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The micro-level actions undertaken by owner-managers in improving the sustainability practices of cultural and creative Small and Medium Enterprises: a UK-Italy Comparison

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Summary

This article discusses micro-level actions undertaken by owner-managers, and how such actions affect stakeholders in enhancing the sustainability of small and medium enterprises (SMEs), the knowledge on which is lacking in the extant literature. The paper, by adopting an inductive analytical approach, draws key insights from the literature on micro-foundations and sustainability and evidence from representatives of five Cultural and Creative Industry (CCI) SMEs in Italy and of five in the UK. The findings suggest that owner-managers play a crucial role when engaging in sustainability activities jointly with employees and other stakeholders, through which individual-level actions enhance collective organizational-level sustainability practices. The UK and Italian cases highlight two contrasting approaches to dealing with sustainability; thus, the paper contributes to the emerging literature on SME micro-foundations and sustainability.

Keywords: Micro-foundations; Top management actions; Sustainability; SMEs; Cultural and Creative Industry.

Introduction

In this paper, we examine micro-level actions and how they lead to collective outcomes in improving the sustainability practices of small and medium enterprises (SMEs). In relation to improving their sustainability practices, SMEs suffer due to the liability of smallness, weak resource bases, and poor access to funding (Revell & Blackburn, 2007). In recent years, various stakeholders have increasingly pressured companies to improve their sustainability scorecards (Freeman, 1984; Mitchell *et al.*, 1997; Verbeke & Tung, 2013; Carayannis & Rakhmatullin, 2014; Høgevold *et al.*, 2016). In response to such pressure, companies from various industrial settings have been proactively striving towards improving their sustainability scorecards (Aguilera *et al.*, 2007; Aguinis & Glavas, 2012; Eccles *et al.*, 2014; Høgevold *et al.*, 2016).

In this context, there is growing interest in understanding how and why organizations engage in sustainability practices (Akhtar *et al.*, 2017; Carayannis *et al.*, 2014; Lozano, 2015; Shoham *et al.*, 2017; Strauss *et al.*, 2017; Carmeli *et al.*, 2017). These studies have made significant contributions to improving our understanding of the factors that promote sustainability. However, much of the existing research on this topic has focussed on large multinational enterprises that have the resources and capabilities necessary to deal with sustainability and corporate social responsibility related challenges (e.g., Brammer & Pavelin, 2006; Jamali *et al.*, 2009; Kolk & Pinkse, 2008; Khan *et al.*, 2015; Lozano, 2015). Furthermore, much of the focus of the existing studies on sustainability has been on understanding the macro-level aspects of sustainability practices. Scholars have noted a relative lack of research on understanding the role played by micro-level actions such as those relating to leadership, the specific skills of individuals in improving sustainability, and employee behaviours (Akhtar *et al.*, 2017; Aguinis & Glavas, 2012; Eccles *et al.*, 2014; Epstein & Roy, 2001; Kolk, 2004; Lozano, 2015; Carmeli *et al.*, 2017; Scuotto, Del Giudice & Carayannis, 2017). In addition,

the extant studies have not addressed micro-foundational thinking (e.g., Barney & Felin, 2013; Felin *et al.*, 2015; Foss & Lindenberg, 2013) within the resource-based view of companies and sustainability, and how micro-level actions, such as sustainability initiatives at the organizational-level, lead to collectivism. This aspect is currently underexplored in the research on sustainability and, more broadly, in the context of corporate social responsibility (Akhtar *et al.*, 2017; Frynas & Yamahaki, 2016). As individual- and group-level factors are the building blocks that explain company heterogeneity, the examination of such micro-level factors is vitally important in understanding the mechanisms that shape corporate sustainability practices (Akhtar *et al.*, 2017; Abell *et al.*, 2008; Aguinis *et al.*, 2011; Felin *et al.*, 2012; Felin *et al.*, 2015; Foss, 2011; Foss & Lindenberg, 2013; Carmeli *et al.*, 2017).

In this context, this paper aims to understand the sustainability practices of SMEs by paying greater attention to the micro-level actions undertaken by managers, and how such actions contribute to organizational-level sustainability. The context of this research is represented by cultural and creative industry (CCI) SMEs from the UK and Italy. This industry tends to “push out” and “pull in” social changes (Messarovitch & Arnault, 2000; Scuotto *et al.*, 2017) and is based on sustainability-driven SMEs (Keskin *et al.*, 2013) that pay particular attention to emerging social and economic dynamics (O’ Connor, 2010). Such a context is unique as most of the existing studies have focussed on a single context, and cross-country comparative perspectives on understanding the micro-level processes of sustainability are lacking. As SMEs do not have clear and explicit policies pertaining to social and environmental sustainability, they are quite different from large companies (Spence, 2007; Hammann *et al.*, 2009; Vázquez-Carrasco & López-Pérez, 2013). Existing research has noted that, compared to large companies, the owner/managers of SMEs play an important role in making day to day decisions and have greater autonomy in making important ones (Hammann *et al.*, 2009). Such decision-making freedom can be important in enacting sustainability initiatives in SMEs. In such

contexts, the personal responsibilities and motivations of SME owner-managers are highlighted as important factors in setting the strategic directions of these companies, which can lead to greater engagement with environmental and social issues (Hammann *et al.*, 2009; Vázquez-Carrasco & López-Pérez, 2013; Vives, 2006). Some studies have even pointed out that, due to their weak resource base and limited access to finance, SMEs have limited abilities and motivations to engage in social and environmental issues (Hammann *et al.*, 2009; Gerrans & Hutchinson, 2000; Vázquez-Carrasco & López-Pérez, 2013; Spence, 2007; Del Giudice *et al.*, 2016). In relation to this, however, other studies have indicated that the SME contribution to global pollution is in the range of around 70% (Revell *et al.*, 2010), and have highlighted that most SMEs have yet to implement any sustainability practices aimed at reducing such contribution (Revell & Blackburn, 2007). However, recent evidence suggests that growing numbers of SMEs are now engaging in some social and environmental initiatives (Brammer *et al.*, 2012; Cassells & Lewis, 2011; Williams & Schaefer, 2013; Johnson, 2015; Revell *et al.*, 2010). Regardless of the growing interest in understanding the key drivers of SME sustainability, however, little research has applied the micro-foundational perspective to understanding the sustainability practices of SMEs. This is despite the fact that micro-foundational thinking has recently emerged as an important theoretical lens through which to understand organizational-level phenomena such as sustainability (e.g., Akhtar *et al.*, 2017; Abell *et al.*, 2008; Felin *et al.*, 2012; Foss, 2011). Such approach has contributed to the examination of the influence of individual actions and interactions on company-level heterogeneity. As noted by Felin and Foss (2005, p. 441) in their influential work, “organizations are made up of individuals, and there is no organization without individuals. There is nothing quite as elementary; yet this elementary truth seems to have been lost in the increasing focus on structure, routines, capabilities, culture, institutions and various other collective conceptualizations in much of recent strategic organization research”. Thus, as stated

above, understanding the micro-level processes and mechanisms that shape SME sustainability practices is vitally important to provide a comparative view of how such actions contribute to the sustainability practices of SMEs vis-a-vis large companies. In this context, the main purpose of this paper is to examine the micro-level actions undertaken by the owner-managers of SMEs to understand the sustainability practices of SMEs from the two different contexts of the UK and Italy.

Conceptual background

Sustainability and small companies

Sustainability addresses ways to use current environmental and social resources that do not involve sacrificing the ability of future generations to meet their needs (United Nations, 1987). There is an increasing emphasis on the fact that businesses should focus on adopting policies and practices that lead to the advancement of the social, economic, and environmental conditions of the contexts in which they operate (Porter & Kramer, 2011). Combining those three aspects, companies are expected to achieve *economic* sustainability by generating persistent profits, while consuming *environmental* resources efficiently and effectively with no or minimum environmental pollution, and adding value to the *social* community within which they operate (Dyllick & Hockerts, 2002). Nevertheless, a lack of alignment between these dimensions and traditional profit-orientated behaviours means that many businesses, even well-established ones, are finding it hard to fulfil such expectations (McWilliams *et al.*, 2006; Saviano *et al.*, 2017).

It is often argued that the achievement of economic, social, and environmental sustainability requires businesses to depart from traditional operations by substantially improving their

business practices (Eccles & Serafeim, 2013). Small businesses could not introduce such changes as they are customarily resource-constrained due to their liability of smallness and inexperience (Love & Roper, 2015; Caputo & Evangelista, 2017). By interviewing representatives of 40 SMEs in the UK's construction and restaurant sectors, Revell and Blackburn (2007) found that these companies were too busy coping with daily business pressures and had little incentive to voluntarily contemplate sustainable activities. Those small businesses were not convinced that the adoption of sustainable practices would generate positive impacts either on their financials or on their attractiveness to customers. Hence, although the sustainability agenda is upcoming as an essential element of business practices, its uptake by small businesses is significantly low (Revell & Blackburn, 2007; Parker *et al.*, 2009; Hammann *et al.*, 2009; Spence, 2007).

Recent evidence suggests that, if small companies are to successfully engage in sustainability, any related initiatives should be integrated with their overall missions and strategies so that any sustainability goals would add value to companies, rather than obstruct their business objectives (Andreas *et al.*, 2011). However, surprisingly little is understood, either conceptually or empirically, in relation to how small businesses may successfully engage in achieving sustainability goals (Brammer *et al.*, 2012; Barile *et al.*, 2015); this paper sheds light on this by drawing key insights from micro-foundational thinking in strategy (Abell *et al.*, 2008; Felin *et al.*, 2015; Foss, 2011; Foss & Lindenberg, 2013). Micro-foundational thinking has recently attracted a great deal of attention with its focus on understanding how individual-level actions and factors lead to collective outcomes and impact organization-level phenomena (Barney & Felin, 2013; Felin & Foss, 2005; Felin *et al.*, 2015; Foss & Lindenberg, 2013). Such a view has the potential to contribute towards a better understanding of organizational-level sustainability. However, research applying micro-foundational thinking to the understanding

of organizational-level outcomes such as sustainability is still in its infancy (e.g., Akhtar *et al.*, 2017).

Micro foundations and sustainability

The considerable role played by organizational resources and capabilities in improving company competitive advantages and performance has been widely discussed (Barney, 1991). The broader literature based upon the corporate resource-based view (RBV) has pointed out that resources and capabilities are central to understanding why, in a given industry, some companies outperform others (Hart, 1995; Aragon-Correa & Sharma, 2003; Bowen, 2007; Campanella *et al.*, 2017). The RBV suggests that companies differ in terms of their underlying resources and competencies (e.g., Wernerfelt, 1984; Barney, 1991; Kraaijenbrink *et al.*, 2010). The RBV and the more recent discussions on micro-foundations are central to understanding the sustainability practices and processes of companies as they enable us to understand how the development of different types of resources and competencies may contribute towards sustainability (Barney, 1991; Abell *et al.*, 2008; Felin *et al.*, 2012; Felin *et al.*, 2015; Foss, 2011; Helfat & Peteraf, 2015; Strauss *et al.*, 2017). Put differently, the central argument of this paper is that the interactions of individual-level factors are crucial for collective organizational-level outcomes such as sustainability. However, because small businesses are resource deprived, they do not employ sustainability or HR managers to learn about and implement sustainability practices/activities (Hammann *et al.*, 2009; Vázquez-Carrasco & López-Pérez, 2013). Hence, the direct applicability of RBV and micro-level actions to understanding the adoption of sustainability practices by small companies would be an important theoretical lens through which to understand SME sustainability processes and mechanisms (Felin & Foss, 2005; Carmeli *et al.*, 2017; Strauss *et al.*, 2017). In the small business context, the owner-manager, as an idiosyncratic individual, has to deal with everything from running the company,

managing its human resources, and making timely and independent decisions aimed at achieving any sustainability goals (Kevill *et al.*, 2017; Hammann *et al.*, 2009). Extending the arguments of the RBV and micro-foundational thinking, a relatively new scholarly movement is discussing how individual-level factors influence company-level capabilities to enhance our understanding of the important micro-level actions that contribute to shaping the sustainability practices of SMEs (Felin *et al.*, 2012; Felin *et al.*, 2015; Hodgson, 2012; Brammer *et al.*, 2012). Hence, the research on micro-foundations provides us with an important theoretical base through which we can investigate how owner manager actions would enable SMEs to achieve sustainability. Yet, past research linking sustainability practices and the RBV has mainly examined how company-specific resources and competencies improve corporate sustainability goals (Litz, 1996; Russo & Fouts, 1997; Husted & Allen, 2007; Mellahi *et al.*, 2016; Strauss *et al.*, 2017). Despite such suggestions, relatively limited attention has been paid to investigating how the resources and competencies of leaders/owners and the micro-level interactions of individuals can improve the environmental sustainability practices of SMEs (Akhtar *et al.*, 2017; Strauss *et al.*, 2017, Scott, 2006).

The resource scarcity prevalent within SMEs means that these companies need to rely more on their social networks in order to acquire the valuable knowledge and skills needed to improve their sustainability practices (Greene *et al.*, 1997; Borgatti & Cross, 2003; Brass *et al.*, 1998). By drawing on collective action theory (Ostrom, 1998), we argue that owner-managers learn about sustainability through their interactions with their network of contacts. On a daily basis, owner-managers interact with numerous stakeholders—such as customers, suppliers, employees, and the wider society—on an ad hoc basis. Such interactions may enable owner-managers not only to learn about sustainability practices, but also to collaboratively achieve sustainable goals. The micro-foundational view of stakeholder behaviours (Bosse & Phillips, 2016; Bridoux & Stoelhorst, 2016; Hahn, 2015; Hayibor, 2012) argues that, as intellectual

property and knowledge (Asher *et al.*, 2005; Powell & Snellman, 2004; Carayannis *et al.*, 2014; Romano *et al.*, 2014) are typically distributed among multiple stakeholders (Amin & Cohendet, 2000), individuals are likely to create value in conjunction with them. Joint value creation and collective outcomes depend on how individual stakeholders frame their relationships with other participants through micro-level interactions (Bridoux & Stoelhorst, 2016; Barney & Felin, 2013; Felin *et al.*, 2015; Polese *et al.*, 2016). Hence, the linking of the micro-foundations of the RBV with sustainability in the context of collectivism, which is underexplored in the current research on sustainability, is most pertinent to our investigation (Akhtar *et al.*, 2017; Frynas & Yamahaki, 2016; Mellahi *et al.*, 2016; Strauss *et al.*, 2017).

Recent research on sustainability has focussed on understanding particular leadership styles and how green leadership behaviours shape company sustainability practices (Robertson & Barling, 2013). Some studies have even noted that the leaders' personal trust and commitment, their perceptions of social responsibility, and political orientations play important roles in enhancing sustainability initiatives at the organizational-level (Doh & Quigley, 2014; Godos-Díez *et al.*, 2011; Chin *et al.*, 2013). Despite the efforts made and the important contributions offered by these studies, little attention has been given to understanding how owner-managers engage in sustainability activities by overcoming resource scarcities through their micro-level interactions within their SMEs and by collaborating with other stakeholders.

The role played by the owner-managers of small companies in achieving sustainability

By drawing key insights from the existing research on RBV, the recent literature on micro-foundations has increasingly focussed on understanding the vital role played by individuals not only in creating but also in utilizing resources and competencies for the development of sustainable competitive advantages for their companies (Abell *et al.*, 2008; Coff & Kryscynski, 2011; Felin *et al.*, 2015; Helfat & Peteraf, 2015; Caputo, 2016). Such micro-level thinking has

enhanced our understanding by positing that knowledge and competencies are not directly owned by companies but, rather, by individuals working in companies, whose idiosyncratic motivations, needs, and preferences shape organizational sustainability practices (Garbuio *et al.*, 2011; Kor & Mesko, 2013; Sheremata *et al.*, 2010). The complexity of human psychology (Freeman & Phillips, 2002; Freeman *et al.*, 2010; Bridoux & Stoelhorst, 2016) acknowledges the need to ground corporate strategies on mechanisms that operate at an individual-level of analysis (Felin & Foss, 2005; Felin & Hesterly, 2007; Foss, 2011; Felin *et al.*, 2015; Bridoux & Stoelhorst, 2016) in order to manage the expectations and motives of heterogeneous stakeholders (Bridoux & Stoelhorst, 2016). These studies have argued that human capital is inherently a micro-level phenomenon that extends beyond the aggregated company human capital discussed in the strategy literature (Hatch & Dyer, 2004; Kor & Leblebici, 2005; Coff & Kryscynski, 2011). In line with these scholarly contributions, we argue that the idiosyncratic characteristics of top management, including those of the owners of SMEs, play a crucial role when jointly engaging in sustainability activities with other heterogeneously motivated stakeholders (Bridoux & Stoelhorst, 2016).

The owner-managers of small companies play a vitally important role in identifying the potential networks that generate relational assets (Helfat & Peteraf, 2015) and developing trustworthy networks of value to adopt sustainability practices (Eisenhardt, 1989; Tsai & Ghoshal, 1998; Patnayakuni *et al.*, 2006). It has been suggested that individuals can strengthen their business networks by improving and cultivating valuable and trustworthy relationships with customers and suppliers (Von Hippel, 1998). Hence, the owner-managers' ability to attract, retain, and motivate employees and external stakeholders (e.g., supply networks, governments, universities, and communities) to the end of aligning business objectives, stakeholder needs, and sustainability goals could be a key source of competitive advantage (Coff & Kryscynski, 2011). This assumption is more evident with reference to the CCI, in

which a highly involved variety can be managed only by acting on the owner-managers' ability to 'read, combine, and use' in the best way possible multiple and divergent knowledge and competencies (Walter & Scholz, 2006). In this context, the mental representations of the owner-managers' relationships with stakeholders may vary depending on the type of stakeholders with which they are engaging. The owners-managers shape how individual stakeholders relate to their companies and to each other in enhancing sustainability practices. Depending on the stakeholders' social dispositions and the companies' perceived behaviours toward their stakeholders, the owner-managers of SMEs may decide to adopt different relational mechanisms and postures in order to enhance their companies' sustainability practices (Bridoux & Stoelhorst, 2016).

Drawing from the four relational models conceptually presented by Bridoux and Stoelhorst (2016), we argue that, when owner-managers collaborate with their employees in regard to sustainable activities, they are likely to adopt an *Authority Ranking* model, which is characterised by the influence of the legitimate power of the superior over the subordinate. The specific nature of this relational model would be enacted to ensure that the SMEs' owner-managers' vision in terms of sustainability is reflected in their employees' behaviours. The leaders' behavioural cues towards green advocacy motivate and create additional pressure on employees to engage in sustainability-orientated behaviours (Kim *et al.*, 2014; Norton *et al.*, 2015). On the other hand, a *Communal Sharing* model would be more appropriate to highlight the top management's relationship with their community—including the government, universities, and society at large. In this model, the top management is likely to consider the community as an equivalent and undifferentiated partner with common goals, and contribute altruistically to achieve these goals. When these common goals are set towards the achievement of sustainability, the relationship generates mutual value (Stubbs & Cocklin, 2008; Strauss *et al.*, 2017; Carmeli *et al.*, 2017). When the top management deals with peer SMEs (as opposed

to competitors) and supply chains, it is likely to adopt an *Equality Matching* model in which it sees itself and its relational partners as equal but distinct. Each participant has an equal say in decisions and is expected to reciprocate its relational partners' behaviours. The top management's sustainability goals influence supply chains and peer SMEs and vice versa (Hutchins & Sutherland, 2008), providing the right conditions for them to collaborate by contributing from their distinct strengths to achieve sustainability goals. In this context, *Trust* (i.e., the expectations individuals have of the behaviours of others), *reciprocity* (i.e., the norms on mutuality that individuals learn from socializing and from life's experiences) and *reputation* (i.e., the identities projected by individuals) are key for a successful joint action between the top management and its stakeholders (Ostrom, 1998). We use the three relational models mentioned above (i.e., ***authority ranking***, ***communal ranking***, and ***equality matching***) and the three characteristics that determine a successful joint action (i.e., ***trust***, ***reciprocity***, and ***reputation***) to understand the effect of the top management's mental representations of its relationships with various stakeholders in engaging in sustainability. In doing so, we respond to the call to investigate the interaction of the idiosyncratic characteristics and behaviours of key individuals with organizational systems in attracting, retaining, and motivating human capital for joint action, and we contribute to the understanding of organizational-level phenomena (Coff & Kryscynski, 2011; Strauss *et al.*, 2017).

The owners-managers' interactions with stakeholders to the end of achieving sustainable goals could be influenced by the practices adopted by small companies (Jenkins, 2009; Hammann *et al.*, 2009; Carmeli *et al.*, 2017). By reflecting on their mental representations (Hoy & Verser, 1994), owner-managers design unique HR and stakeholder interaction-oriented practices, and their companies' strategic directions (Coff & Kryscynski, 2011). Hence, the influence of these policies and practices on stakeholder interactions differs from that of standard company-level policies and practices (Chadwick & Dabu, 2009), which have been criticised for obscuring the

inherently multilevel nature of human capital (Ployhart & Moliterno, 2011). The top management's involvement both in designing practices and in interacting with stakeholders provides a unique opportunity to integrate sustainability goals into the core of a company, which is highlighted in CSR as key for success (Jenkins, 2009). Hence, it would be interesting to investigate how these idiosyncratic practices interact with the top management's relationships with stakeholders towards the achievement of sustainable goals in SMEs. This would enable us to understand whether—and, if so, how—companies with unique or idiosyncratic policies and practices realize human capital-based advantages, an under explored area in the micro-foundations scholarship (Coff & Kryscynski, 2011).

Based on the preceding discussion, Figure 1 presents the conceptual foundation that we developed by highlighting the unique and idiosyncratic role played by SME owner-managers in achieving sustainable goals by overcoming the constraints posed by the liability of smallness and weak resource bases.

Insert Figure 1 here

Context and Methodology

This research adopts an inductive analytical approach and compares the sustainability practices of SMEs both within and outside a cluster to offer new insights and add value to the existing literature on sustainability, which has focussed on large multinational enterprises and on single country contexts. Our focus is on understanding the micro-foundations of the sustainable behaviours of five UK and five Italian SMEs operating in the CCI. This industry is recognised as employing more than 12 million people and providing around 5.3% of the total European

gross value added (Austrian Institute for SME Research and VVA Europe, 2016). The industry has been recognized as a source of creativity and innovation, contributing to both environmental and social sustainability. Despite this potential, limited research has been carried out on understanding the micro-level interactions of individuals and the sustainability of SMEs operating in the CCI.

According to the UK's DCMS (1998), the CCI is composed of cultural industries and creative arts such as sport, movies, dance, music, and crafts, and creative services such as software, virtual reality, and publishing. The classification of such industry started in Australia in 1990 but its wider extension took place in the UK at the end of this year thanks to the success of the Department for Culture, Media, and Sport (DCMS). Successively, this industry became largely productive in Italy. In fact, currently, the UK and Italy have the highest-levels of employment in this sector, achieving respectively second and third positions in the European CCI rankings (Power, 2014). The success of this industry is generated by intellectual capital and creativity (UNCTAD, 2008). Furthermore, local history and tradition influence the offer of cultural and creative products and services (Scott, 1991). Cunningham (2004) reinforced this aspect, individuating the three pillars of 'culture', 'services', and 'knowledge', which perceive the value propositions of companies and steer their strategies.

Galloway and Dunlop (2007) pointed out that the global market, rather than local ones, has a massive influence on CCI because this industry aims at spreading its knowledge and creativity beyond 'simple' geographic boundaries. Markusen et al. (2008) also emphasized the global presence of this industry through a close collaboration between the local and international ecosystems. The CCI is thus recognised as being highly focussed on current trends, community, and environmental issues (Scuotto et al., 2017; Franco et al., 2015; Landry, 2006). The CCI tends to preserve and valorise local realities, promoting their cultural landscapes and history

(Princen, 2003; Dresner, 2008; Kuei & Lu, 2013). Studies on sustainability have underlined that a sustainable approach is possible only by combining local and global culture and knowledge with the aim of providing solutions to several issues through collaborative and innovative services (Elkington, 1994; Kates et al., 2001; Delmas & Pekovic, 2013; Ferraris *et al.*, 2017). As stated above, the CCI combines ‘culture’, ‘services’ and ‘knowledge’ in local and global dynamics defining sustainable strategies and pathways to be more flexible and innovative (Benhamou, 2002; Cunningham, 2004; Sandulli et al., 2016; Lampert, 2006; Del Giudice *et al.*, 2013; Della Peruta *et al.*, 2014; Protogerou et al., 2016; Scuotto, Del Giudice, Bresciani & Meissner, 2017). Yet, the micro-level factors and how these impact the sustainability of CCI SMEs are little studied.

Research Design and Sample

An inductive procedure (Corley & Gioia 2004; Gioia *et al.*, 2013) was adopted to discover the unexplored micro-level interactions of individuals and the nuances in the differences in sustainability of a sample of five UK and five Italian SMEs operating in the CCI. Within case and cross case analyses were conducted to identify similarities, patterns and differences (while also comparing with the extant literature), allowing more rigorous theory building. Within case analysis facilitated the identification of unique patterns of each case to check the generalizability of patterns across cases. The cross case analysis was conducted to identify similarities and differences across cases (Pettigrew 1988).

Moreover this research context is suitable due to the relevant differences in cultural and historical conditions that, over time, have affected the evolution of the CCI in the UK and Italy. For instance, in the UK, the CCI is influenced by international and global trends (Garnham, 2005) whereas, in Italy, it is more related to local culture and identity (Lazzeretti et al., 2008). These differences thus spur the present comparative analysis. Although these countries are

culturally different, they also share some similarities: SMEs in the CCI tend to be more sustainability-driven (Keskin et al., 2013; Godard, 2012). For these enterprises, sustainability is considered a social goal that drives their capacity to exploit market opportunities (Berchicci, 2005; Parrish, 2010). However, balancing social goals with the willingness to generate profits is a constant challenge (Zahra et al. 2009). Some studies have demonstrated that SMEs overcome this challenge by offering creative and destructive solutions (Acs & Audretsch, 1990). For instance, “the fashion industry is a convergence of social trends and industrial creations and measuring its ongoing growth by the return on investment (ROI), reduces the sense of uncertainty” both in the UK and Italy (Scuotto et al., 2017, p.192).

Therefore for each enterprise, being considered the relevant decision-maker, the owner-manager was interviewed (Hammann et al., 2009; Vázquez-Carrasco & López-Pérez, 2013; Vives, 2006). These SMEs were selected according by the organization for Economic Co-operation and Development (OECD, 2005). In fact a mix of small and medium enterprise sized were part of our sample characterized by a number of employees up to 249 and a turnover up to 50 million.

With this in mind and although unstructured or semi-structured interviews are usually the norm, structured interviews were adopted for this research (Bryman 2006; Johannisson & Huse 2000).

We believe that structured interviews were suited to our research for two reasons. First of all, we assumed that the concept of sustainability would be explicitly known by the interviewees; thus, direct questions should be sufficiently comprehensive to reveal their views on sustainability. Secondly, we deemed that structured interviews would steer the conversation and gather the same information from all SMEs involved in the research project. The interviews involved 25 questions and were structured by means of a funnelling technique (Bryman, 2015) in which the research scope was explained and then ancillary questions were posed to the

participants. During the interviews, we explored a range of topics such as owner-manager influence on strategic corporate decisions pertaining to sustainability initiatives; the owner-managers' strategic directions and their human resource (HR) practices related to sustainability; the owner-managers' strategic directions and interaction practices related to sustainability; the influence of the owner-managers and their practices on authority ranking and sustainability practices; the influence of the owner-managers and their practices on communal sharing and sustainability; and the influence of the owner-managers and their practices on equality matching and sustainability (see Appendix for a sample interview guide).

The purpose of these interviews was to get a broader picture of the actions undertaken by the managers in improving the sustainability practices of their respective companies.

The interviews lasted around two hours each and were conducted with owner-managers because they were recognised to play a pertinent role in identifying potential networks generating relational assets (Helfat & Peteraf, 2015) and in developing trustworthy networks of value for the adoption of sustainability practices (Eisenhardt, 1989; Tsai & Ghoshal, 1998; Patnayakuni *et al.*, 2006). The owner-managers were first approached by email to ask for their agreement to be interviewed face to face. The interviews with the owner-managers of the UK-based SMEs were conducted in English and those of the Italy-based ones in Italian. The latter were then transcribed and translated into English by a bilingual researcher. The data were analysed following the recommended protocols for qualitative data analysis. Themes were decided on the basis of the conceptual framework presented and the analysis was carried out by two researchers first independently and then comparing and contrasting the results, in which a clear alignment between the results of the two researchers was achieved, indicating the validity of the study (e.g., Miles & Huberman, 1994; Gioia *et al.*, 2013).

Findings

Below, we discuss the key findings of this study with illustrative examples from the UK- and Italy-based SMEs.

Owner-manager influence on company strategic decisions pertaining to sustainability initiatives.

The findings suggest that the owner-managers of the UK-based SMEs engaged in sustainability activities only when these directly improved business profits; for instance, when these activities improved process efficiency (e.g., the efficient coordination with suppliers), reduced wastage (e.g., the adoption of just-in-time service delivery by suppliers), increased demand (e.g., the positioning of the business in the local community), or if their core business was related to sustainability (e.g., selling solar-powered lights to African customers). As a result, they were more interested in ensuring business sustainability than environmental or social sustainability. For instance, UK owner managers believed that being efficient at the use of resources enabled them to contribute to meet sustainability targets while also reducing operational costs:

“for us to become sustainable suggests that we become more efficient. Hence, adopting resource efficient strategies would benefit our society both at the micro and meso levels but would also go a long way to reduce the cost of running our business” [U4]

Also, they emphasised on sustainability during their business dealings with suppliers:

“We use eco-friendly companies where possible such as carbon neutral printers” [U1]

“Establishing good relationships and just-in-time service delivery. We also manage the different stages to ensure an efficient coordination of activities. Kaizen which is the Japanese strategy for continuous improvement has always been our guiding mantra towards improving our supply chain dynamics” [U4]

They also tried to adopt sustainable business practices and innovate new sustainable products/service to contribute to sustainability, exemplifying their vision towards achieving business sustainability:

“In terms of working in our offices we are conscious not to waste food, we recycle”

[U2]

“My opinion on sustainable business is that it is a good thing and every business should try their best to adopt more sustainable business practices” [U3]

“So for about four years I was researching and up to date with what was wrong with the current fertilisers, how our world is being damaged by them, the defects of pesticides, and the amount of coffee waste that actually goes to landfill” [U2]

Conversely, the owner-managers of Italian companies seemed to consider sustainability as an activity independent of company operations, one that companies should strive to achieve by giving it a high priority in relation to their business operations:

“We think that the sustainability is a collective challenges and we try to sensitize all our stakeholders about this by proposing projects, idea, and plans based on the sustainability pillars” [I5]

Also, their drive to become sustainable seemed to be motivated by the desire to set an example to their collaborators. As a result, they pushed a sustainability agenda within their company for reasons other than the obvious for-profit ones.

“Through the collaboration with others SMEs it is more easy to develop shared approaches for the sustainability able to affect the development and rules of the society...The collaboration with the social groups that act on the territory inspires the development of the logics of sustainability inside and outside the company” [I4]

Compared with UK owner managers, Italian owner managers –as evident by specific sustainability practices adopted – paid a greater attention on environmental and social sustainability.

“We are promoting the providing of free essential creative and cultural services in order to ensure a balanced development of local society...[Contribute to society] Yes, by underling the opportunities and the advantages related to the promotion of activities to support the social inclusion and development..... We have not programs to directly contribute to the nature.” [I4]

“Yes, we are engaged in multiple round table interested in the resolution of emerging challenges for the society....one of our aims is the protection of the biodiversity and we have several projects on this topic” [I5]

“By adopting innovative processes and technologies in order to reduce the environmental impact of company’s activities, to minimize the pollution, and to protect company’s employees, company’s propriety and the external environment..... by respecting the law for the environmental protection and by promoting voluntary actions” [I1]

The findings indicate that owner-managers’ pro-sustainability behaviours drive the sustainability agenda of SMEs; thus, owner-managers play an important role in enacting company sustainability initiatives (Abell *et al.*, 2008; Felin *et al.*, 2012; Felin *et al.*, 2015; Foss, 2011; Helfat & Peteraf, 2015; Robertson & Barling, 2013). Clear differences were identified in terms of the sustainability initiatives and practices of the SMEs from the UK and Italy. Table 1 provides a comparative view of owner-manager decisions towards the enactment of sustainability practices within their SMEs with representative quotes, further supporting the above findings that UK owner-managers are more inclined to achieve business sustainability

whereas Italian owner-managers are more interested in pursuing environmental and social sustainability.

It was evident that this difference between owner-managers has been, to some extent, influenced by external pressure. While Italian owner managers explicitly mentioned about the external pressure that drives their involvement in social and environmental sustainability, UK owner-managers have acknowledged that they do not face such pressure:

“Yes, both governments and clients pay more attention on our capability to respect the guidelines imposed by the sustainability.” [I5] “Our clients pay more attention to our approaches and attention to sustainability”[I4]

“[when asked about external pressure] No, not to my knowledge” [U3]. “No, however, regarding our business we always ensure we look at how our customers change their attitudes” [U4]

Insert Table 1 here

This stark difference seems to have also resulted in Italian-based SME owner-managers having to confront the challenge of balancing success in business operations and the achievement of sustainable goals. Two Italian SME owner-managers stated this as follows:

“[it is challenging] to increase the quality of products by reducing, at same time, the costs of production through the definition of new processes based on environmental protection.” [I1]

“To integrate sustainability in my company’s business we need to identify common and shared aims on which to act.” [I4]

Similarly another owner-manager highlighted the balancing challenge:

“The main challenge is related to the identification of a balance between economic and sustainability needs.” [15]

This differences in relation to the owner-managers' perceptions of a sustainability agenda has shaped other practices as well as their relational interactions with stakeholders in relation to sustainability; we will be discussing this in the relevant sections below.

Owner-manager strategic directions and their human resource (HR) practices related to sustainability

The findings suggest differences in the two contexts in terms of how strategic directions towards sustainability influence the HR practices adopted by the owner-managers. In the UK, the owner-managers seemed inclined to hire employees capable of strategizing sustainability moves to make their companies more sustainable as they grew, reflecting the adoption of sustainability only when it provided strategic advantages to the companies. Also, they seemed to maintain very close relationships with their employees in order to be able to communicate and cultivate their own vision for sustainability. Any training provided or information shared on sustainability seemed to be directed towards its use to improve the workplace, themselves, and the company with a greater priority on achieving business sustainability over environmental or social sustainability. As a result, the owner-managers seemed to maintain a controlled environment aligned towards the achievement of the strategic directions they had set. For instance, one of the UK SME owner- managers affirmed that:

“We look for a passionate individual, who equally knows how to strategize to make the company more sustainable as we grow. I feel it’s far easier to adopt sustainable steps

now and carry them through, than force them into play later down the line when you have a larger staff number.” [U2]

Conversely, in the Italian context, the owner-managers seemed to look for employees who had prior experience in engaging in sustainability activities, provided mutually agreed personalised roles, provided general training on sustainability and helped to build a wide array of skills (e.g., knowledge on sustainability and stakeholder interests, relational skills, and collaborative skills) relevant to engaging in joint sustainability activities with stakeholders. Since the Italian top managers pursued sustainability activities (mainly social and environmental) as external ones inserted—and attempted to be integrated—into company operations, they tended to hire people with previous experience in achieving social and environmental sustainability. Also, they helped their employees to develop the skills required to set, with external stakeholders, a shared sustainability agenda that would fulfil both company and stakeholder requirements (Robertson & Barling, 2013). For example, three Italian SME owner-managers pointed out:

“We consider past experiences in companies oriented to a logic of sustainability.” [I1]

“We pay more attention to the previous professional activities of employees in order to understand whether they are sensitive to a logic of sustainability.” [I2]

“We try to recruit people who respect environment and society. During the selection, we try to understand in which ways the lifestyles and consumer behaviours of potential new employees are aligned with the market’s needs and expectations.”[I4]

These findings further support the important role played by micro-level actions in enhancing organizational-level processes and performance, which, in this case, are related to sustainability (Abell *et al.*, 2008; Felin *et al.*, 2012; Felin *et al.*, 2015; Foss, 2011; Helfat & Peteraf, 2015; Kim *et al.*, 2014). Table 2 provides a comparative view of such actions with illustrative quotes.

Insert Table 2 here

Owner-manager strategic directions and interaction practices related to sustainability

In line with the strategic directions of the UK SME owner managers, the data indicate that the interaction practices they introduced seem to prioritise the achievement of business goals. The owner-managers seemed to interact with external stakeholders for sustainability when such relationships generated business value. One of the UK owner-managers highlighted:

“I think about my community as the Scottish entrepreneurial ecosystem and I am very proud to be part of it. There are so many fantastic people that are willing to help start-ups get going.” [U3]

On the other hand, the Italian owner-managers seemed to actively adopt several innovative interaction practices to develop close working relationships with external stakeholders; these relationships enabled them to set joint agendas to engage in social and environmental sustainability activities. One of the Italian owner-managers affirmed:

“Yes, we think that sustainability is a collective challenge and we try to sensitize all our stakeholders about this by proposing projects, ideas, and plans based on the sustainability pillars.” [I5]

Table 3 documents such interactions with a list of representative quotes across the UK and Italian SMEs under study.

Insert Table 3 here

The influence wielded by owner-managers when interacting with employees and sustainability practices

The findings suggest that the differences observed in the two contexts in relation to the practices set by owner-managers had clearly influenced how the latter collaborated with their employees to achieve sustainability goals. Since the UK owner-managers seemed to be driven to only engage in those sustainability activities directly related to improving company performance and to adopt HR practices suited to communicate their vision to their employees (rather than taking a shared approach), collaboration with employees was mainly driven by *authority ranking*, reflecting the owner-managers' legitimate power and dominance. For instance, trust was developed by ensuring that employees shared their owner-managers' passion, reciprocity was achieved by being sustainable strategically, and reputation was built by motivating employees to realise their owner-managers' visions. As discussed in the section entitled 'The role played by owner-managers of small companies in achieving sustainability', this was achieved by building very close relationships with employees, so that the owner-managers' visions could be cultivated in them. On the other hand, in relation to Italian top management, since achieving sustainability was considered as an activity inserted into the companies' other business activities and conducted in collaboration with internal and external stakeholders, trust was built by generating a shared vision (i.e., rather than following that of the owner-manager). Reciprocity and reputation were gained by creating an environment conducive to generating and implementing this vision shared by employees and external stakeholders. Table 4 provides a list of comparative quotes across the UK and Italian SMEs highlighting this difference. Hence, with respect to achieving sustainability goals, while the model adopted by the UK owner-managers seemed to be closely aligned with the *authority*

ranking model presented by Bridoux and Stoelhorst (2016), the model adopted by Italian SME owner-managers seemed, to a greater extent, to be aligned with the *equally matching* one. Hence, even with respect to the same type of partners, the applicability of a model could vary depending on the context and on the practices set by the owner-managers. This empirically supports the assertion made by Bridoux and Stoelhorst (2016, p. 230): “*regardless of their dispositions, all individuals are capable of framing relationships in terms of any of the four models if situational cues are strong enough.*”

Insert Table 4 here

The influence wielded by owner-managers when interacting with the society and Sustainability

The findings indicate that the owner-managers' visions influence the sustainability practices adopted by their companies. The data suggest notable differences between the UK and Italian SMEs and their owner-managers visions and practices for sustainability. In relation to the UK-based SME owner-managers' visions for sustainability, the findings show that, while they seemed to perceive the importance of sharing a common goal with society, they did not seem to actively engage with the community to achieve any common goals towards sustainability. For instance, they seemed to provide some social services as a hobby or an independent activity, without directly incorporating these into their companies' agendas. For instance, a UK owner-manager stated:

“As a company our contribution to society is minimal,That being said I know individually outside of work we contribute to society. I myself as a hobby try to promote small and local social enterprises by recording videos and putting them online for people

to learn about them and I actually work with one of them alongside my football team in order to help women in Scotland who have had tragedies in their life and are trying to get back on their feet [U2]

On the other hand, the Italian owner-managers seemed to be working closely with the community by sharing resources, ideas, and work. As claimed by two Italian owner-managers:

“We are promoting the provision of free essential creative and cultural services in order to ensure a balanced development of local society.” [I4]

“Collaborating with social groups that act on the territory inspires the development of a logic of sustainability both inside and outside the company.” [I4]

Table 5 provides additional representative quotes in support of this difference between two contexts. The model adopted by the Italian owner-managers seems to closely resemble the ***communal sharing*** model conceptualised by Bridoux and Stoelhorst (2016), which states that companies and the community share common motivations and goals and contribute altruistically to their achievement by adopting relevant collaborative and organizational practices.

Insert Table 5 here

The influence wielded by the owner-managers when interacting with supply chain and peer SMEs and Sustainability

Finally, the findings highlight that the UK-based SME owner-managers seemed to define their relationships with their supply chains and peer SMEs, in terms of suitability, on the basis of

the value generated to their companies. Their engagement was geared to improving efficiency, reducing waste, and enhancing positive reputation, thus enabling the achievement of the strategic direction they had set by towards sustainability only when it generated direct value to their companies. As affirmed by a UK owner- manager:

“Building relationships over time and face to face. It’s so worth the time invested. When you really need help, you’re asking friends instead of just suppliers. Mutual trust is a great thing.” [U5]

Conversely, in Italy, the owner-managers, in collaboration with supply chains and peer SMEs, engaged in sustainability projects, defined sustainable business models and market strategies, promoted each other to be sustainable, and fostered the understanding of the sustainability principles and logics. An Italian owner-manager declared

“Through our actions, we try to stimulate our clients and stakeholders to be more sustainable in their everyday actions and behaviours.” [I4]

Table 6 shows this contextual variations observed across the UK and Italian SMEs with illustrative quotes. All these engagements seemed to be shaped by the strategic direction set by the owner-managers to insert sustainability goals into company agendas. While both approaches seemed to represent the *equality matching* model (i.e., one characterised by the perception of partners being equal but with distinct roles, expected to play distinct roles and contribute to set agendas) conceptualised by Bridoux and Stoelhorst (2016), the two contextual variations highlight how the same model could be applied to achieve contrasting objectives.

Insert Table 6 here

Discussion and Conclusions

The aim of this article was to understand how the micro-level actions and interactions of individuals impact the collective outcomes of organizational-level sustainability. The focus of the study was upon UK and Italy-based SMEs from the CCI. This context is unique as the focus of most of the existing studies had been on large multinational enterprises' sustainability practices and macro-level factors, and on their influence on sustainability practices. However, relatively limited research had been conducted on the micro-level factors and sustainability practices of SMEs in different contexts (Akhtar *et al.*, 2017). Investigating the role played by micro-level actions such as leadership, the specific skills of individuals in improving sustainability, and employee behaviour, our results indicate the importance of such factors in understanding the mechanisms that shape company sustainability practices (Akhtar *et al.*, 2017; Abell *et al.*, 2008; Felin *et al.*, 2012; Felin *et al.*, 2015; Foss & Lindenberg, 2013; Carmeli *et al.*, 2017). It was evident that SME owner-managers directly influence (1) firm level strategies and (2) approaches for attracting, retaining and motivating human capital (comprising employees, society, supply chain and peer SMEs), indicating the micro-level actions undertaken by owner-managers in improving the sustainability practices of SMEs. Such micro-level actions ensure a high alignment between firm level factors and the nature of interactions with human capital, which in turn decides approaches for sustainability.

The novel aspect of this study resides in its demonstration of the different managerial approaches adopted by the owner-managers of UK and Italian SMEs, though which we highlight how the adoption of sustainability practices vary depending on the contextual factors (Dezi & Schiavone, 2004). For instance, the owner-managers of Italian companies seemed to consider sustainability as an activity independent of company operations, whereas UK SMEs insert a sustainability agenda within the company motivated by for-profit reasons. Italian owner

managers strive to achieve sustainability by pushing sustainability agendas into company operations. On the contrary, for UK owner-managers, a company is sustainable when persistent profits are generated by optimizing the use of resources and limiting any environmental issues (Dyllick & Hockerts, 2002).

In line with this principle distinction on owner managers' vision for sustainability, it was apparent that UK SMEs strive to achieve business/ organizational-level sustainability (Hutchins & Sutherland, 2008; Abell *et al.*, 2008; Felin *et al.*, 2012; Foss, 2011; Kim *et al.*, 2014; Norton *et al.*, 2015; Helfat & Peteraf, 2015) over environmental or social sustainability whereas Italian counter parts focus on social and environmental sustainability predominantly. This distinction is at least partly determined by the external pressure: in the relatively high external pressure persisted in the Italian context, owner managers are more likely to focus on environmental and social sustainability whereas a lack of external pressure –as per the UK case– leads to prioritising business sustainability. Accordingly, our results demonstrate that SME owner-managers tend to introduce sustainable activities even though they are not supported by external bodies; this is in contrast to the study conducted by Revell & Blackburn (2007), which revealed how incentives to voluntarily integrate sustainable practices in business were still lacking. We take this line of arguments to the next level by highlighting how the degree of external pressure determines the nature of sustainability practices adopted.

Another originality of our study, aligned with micro-level actions, was illustrating how SME owner-managers overcome the liability of smallness, a challenge for adopting sustainability practices, through joint value creation facilitated by taking a relational approach and bringing key stakeholders together. Interestingly, owner-managers' interaction with external stakeholders also seemed to reflect their approach to sustainability: while Italian owner-managers adopted several innovative interaction practices to develop close working

relationships with external stakeholders to set joint agendas to engage in social and environmental sustainability activities, the external interactions by UK owner-managers were mainly mediated by the potential for such collaborations to contribute to achieving business sustainability.

By focusing on the interactions of UK and Italian owner-managers with employees, society and supply chain (including peer SMEs), our study highlighted differential applications of the relational models conceptually presented Bridoux and Stoelhorst (2016). We find our results to be counterintuitive because UK SME owner-managers tended to adopt an ***Authority Ranking*** model with employees while Italian ones leaned towards ***Equality Matching***. In UK SMEs, ‘trust’, ‘reciprocity’, and ‘reputation’ relied on owner-managers encouraging and persuading employees to achieve owner-managers’ own visions. From this, a strong sense of interaction between company-level factors and individual-level phenomena emerges (Kim *et al.*, 2014; Norton *et al.*, 2015). This difference aligns with the owner-manager’s vision for the type of sustainability practices, in which ***Authority Ranking*** in the UK context was important to ensure that sustainability practices align closely with business operations, so that, business sustainability is achieved, whereas ***Equality Matching*** ensured that employees are given the freedom to engage with other external stakeholders to co-create social and environmental sustainability agendas.

Aligning with owner managers’ vision, UK SMEs do not seem to proactively collaborate with the community in relation to sustainability activities (suggesting a lack of applicability of ***Communal Sharing*** model to achieve business sustainability), other than some engagements by owner managers at personal level as a hobby. On the other side, Italian SME owner-managers were more oriented towards ***Communal Sharing*** by developing sustainable activities

in collaboration with internal and external stakeholders. ‘Trust’, ‘reciprocity’, and ‘reputation’ were originated by shared visions between employees and external stakeholders.

Nevertheless, the SME owner-managers from both countries seemed to have a vivid sense of community. For the UK SME owner-managers, this conveyed a personalised attitude in approaching the local community. Conversely, the Italian SME owner-managers embraced a collegial approach in their company agendas towards sustainability (Stubbs & Cocklin, 2008; Strauss *et al.*, 2017; Carmeli *et al.*, 2017).

It was also apparent that while the owner managers of both the countries, adopted ***Equality Matching*** when interacting with supply chain partners and peer SMEs, the role played UK owner-managers as a promoter of sustainability products/services seemed to predominantly align with business sustainability goals whereas the role of Italian owner-managers as an active contributor towards addressing social and environmental challenges reflect their vision for social and environmental sustainability. Accordingly, we highlighted two contrasting ways of using ***Equality Matching*** model with the same group of collaborators depending on the owner managers’ vision for sustainability.

In a nutshell, our findings confirmed a close relationship between SME owner-managers’ approaches to sustainability and to HR management (Dunphy, 2000; Wilkinson, 2005). Specifically, sustainability appeared to be influenced by the cognitive actions undertaken by owner-managers in planning further strategies (Geels, 2010). In addition, social networks were considered valuable resources for the acquisition of the knowledge and skills needed to improve sustainability practices (Greene *et al.*, 1997; Ostrom, 1998; Brass *et al.*, 1998; Borgatti & Cross, 2003). Thus, owner-managers are likely to collaborate with stakeholders to co-create new sustainability orientated practices (Bosse & Phillips, 2016; Bridoux & Stoelhorst, 2016; Hahn, 2015; Hayibor, 2012; Asher *et al.*, 2005; Powell & Snellman, 2004; Amin & Cohendet,

2000). Our originality is to highlight how the adoption of sustainability practices vary depending on micro-level actions adopted to better suit contextual factors, through which we highlight differential applications of the relational models conceptually presented by Bridoux and Stoelhorst (2016). These findings contribute to the existing literature, in which there had been a relative dearth of studies examining the relationship between the micro-foundations of the RBV and sustainability in the context of collective outcomes at the organizational-levels (Akhtar *et al.*, 2017; Frynas & Yamahaki, 2016; Mellahi *et al.*, 2016; Strauss *et al.*, 2017), and particularly in the context of SMEs from two different settings. Such cross-country comparative studies are rare; thus, our study provides important insights by linking micro-foundational perspectives and sustainability in the SME context.

Practical Implications, Limitations, and Future Research

Our results highlighted several practical implications. First, we highlighted the crucial role played by owner-managers when engaging in sustainability activities jointly with other stakeholders (Bridoux & Stoelhorst, 2016; Garbuio *et al.*, 2011; Kor & Mesko, 2013; Sheremata *et al.*, 2010). It is through such interactions that individual-level actions enhance collective organizational-level ones such as sustainability practices. Hence, owner-managers could leverage their relationships with stakeholders to engage in sustainability activities. We have also highlighted that how the nature of interactions with stakeholders should be decided on the basis of owner-manager's vision for sustainability. Our study, by referring to the UK case, highlighted how business sustainability could be achieved by adopting ***Authority Ranking*** model with employees and ***Equality Matching*** model with supply chain and SME peers, which would ensure sustainability activities positively influencing profit oriented organisational outcomes. On the other hand, our results on Italian owner-managers highlight how social and environmental sustainability could be achieved by adopting ***Equality Matching***

model with employees, supply chain and peer SMEs and *Communal Sharing* model with the community, so that, a shared sustainability agenda is co-created and implemented with collaborators. These results provide a road map to SMEs, owner-managers and their stakeholders as to how to engage in different types of sustainability activities collaboratively.

However, we acknowledge that there are some limitations in our research. First, this is an exploratory study and its findings may not be generalizable to other industrial settings. Future studies could utilize our findings and conduct large scale survey-based research in other sectors such as Renewable Energy and Engineering. Second, we suggest that future studies build upon our work to understand, for example, which model is better both in developing sustainable practices and in improving business performance across developed and emerging economy contexts. Third, particular leadership styles, motivations, belief systems, and leader social backgrounds may also influence company sustainability agendas and practices. Thus, future studies may benefit from investigating leadership styles and leader social backgrounds and their impact on sustainability practices. Fourth, there may be opportunities for both SMEs and large companies to learn from their peers; therefore, future studies could examine the mechanisms through which sustainability practice spillovers take place and how they benefit companies across different industrial settings. Fifth, future studies may also examine the influence of institutional pressures on SME sustainability practices and compare the latter and those of multinational enterprises from various industry sectors (e.g., Khan *et al.*, 2015). Lastly, future studies could examine micro-macro-level factors and how these interact with each other and impact the social, economic, and environmental sustainability of both SMEs and large companies. As SMEs are becoming important actors in global value chains, future studies may need to examine micro-level actions and how these contribute to environmental sustainability in global value chains.

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Figure 1: Conceptual Framework: the micro-level actions undertaken by owner-managers in improving the sustainability practices of SMEs

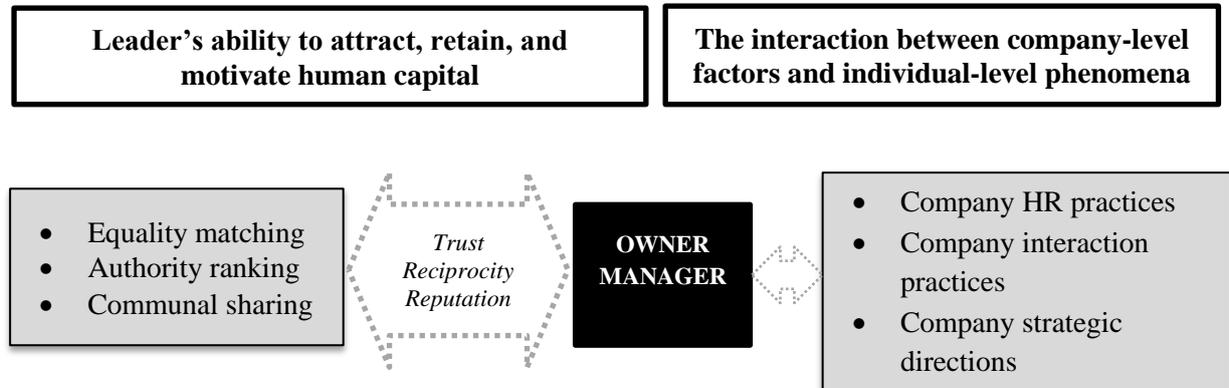


Table 1. Owner-manager influence on company’s strategic decisions towards sustainability – Representative quotes

UK -based SMEs	Italy-based SMEs
<p>1. Sustainability – when it reduces wastage</p> <p>Establishing good relationships [with suppliers] and just-in-time service delivery. [U4]</p> <p>2. Sustainability – when it improves process efficiency</p> <p>We also manage the different stages to ensure an efficient coordination of activities. Kaizen which is the Japanese strategy for continuous improvement has always been our guiding mantra towards improving our supply chain dynamics. [U4]</p> <p>3. Sustainability- when it reduces costs</p> <p>We are not a charity; we are a limited company who are creating social good through sustainable means [U2]</p> <p>For us, to become sustainable suggests that we become more efficient. Hence, adopting resource efficient strategies would benefit our society both at the micro and meso-levels but would also go a long way to reduce the cost of running our business. [U4]</p>	<p>1. Prioritising sustainability goals among other business activities</p> <p>The leader must define the programme for company development and, along that line, influence sustainability among company priorities. [I3]</p> <p>The leader should teach all human resources that sustainability is a relevant complex of guidelines useful to improve the strength of relationships with clients and other company stakeholders. [I4]</p> <p>2. Providing appropriate structures and organizational processes for sustainability</p> <p>Promote sensitivity towards the topics of sustainability by defining appropriate structures and organizational processes. [I1]</p> <p>3. Actively adopting practices for environmental sustainability:</p> <p>Adopting innovative processes and technologies in order to reduce the environmental impact of company activities and minimize pollution. [I1]</p>

<p>4. Sustainability – when it is linked to company’s revenue streams</p> <p>In order to stay sustainable and ensure we don’t let down the children in Africa, it is all about sales, sales, and sales. We are still a start-up; so, in order to do this, we keep our costs as low as possible, invest wisely in what communication channels we push for marketing our product, and keep everything in house. We support children in Africa. They have no access to light when the sun goes down, but candles, which are not sustainable. Our solar-powered lights, however, offer a sustainable solution [U2]</p> <p>5. Sustainability – when the businesses’ core activities are linked to sustainability</p> <p>We aim to create products that are not throwaway items. High quality ambitions for the product are important to create a real feeling of high value for the customer. We don’t like waste and believe that it’s wrong to launch something that’s not as great as we can make it at that time. We will try to use recycled materials etc., unless they are compromising the final quality of the product. When recycled parts and materials become higher quality</p>	<p>4. Sustainability – to set examples for other collaborators</p> <p>A leader should highlight the role of sustainability in the company by providing employees with examples of better ways to meet market needs and expectations. [I2]</p> <p>5. Sustainability – to find ways to achieve the needs of everybody</p> <p>The leader is engaged in the definition of suitable paths to best combine the economic needs of the ownership and the expectations of both employees and society. [I5]</p>
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and/or cheaper than that will become a lot more attractive to many companies.[U5]	
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**Table 2. Owner-manager adoption of HR practices related to sustainability:
Representative quotes**

UK-based SMEs	Italy-based SMEs
<p>1. Hiring people: Capable of strategizing sustainability engagement</p> <p>So, yes, that being said, we look for a passionate individual who equally knows how to strategize to make the firm more sustainable as we grow. I feel it's far easier to adopt sustainable steps now and carry them through, than force them into play later down the line when you have a larger staff number [U2].</p> <p>2. Managing closely knit relationships with employees, enabling top management to pass on skills to employees:</p> <p>[I] like to think I passed on relevant skills to them [subordinates]. It was easily done as we worked in such a close net space. Even socially on Friday one of us would make lunch for everyone and we'd have a discussion about our successes of the week, or any problems/ issues we were having. It was like having professional friends [U2].</p> <p>3. Communicating the vision to employees:</p> <p>Being able to effectively communicate your values and reasons for moving to become more social in the office. Unless your staff understand why the company is being</p>	<p>1. Hiring people: Experience in engaging in sustainability activities</p> <p>We consider past experiences in companies orientated towards a logic of sustainability [I1].</p> <p>We pay more attention to the previous professional activities of employees in order to understand whether they are sensitive to a logic of sustainability [I2].</p> <p>We try to recruit people who respect the environment and society. During the selection, we try to understand in which ways the lifestyles and consumer behaviours of possible new employees are aligned with the market's needs and expectations [I4]</p> <p>2. Providing mutually agreed personalised roles:</p> <p>Valorising their competences and knowledge through the definition of personalized roles [I2].</p> <p>I try to define work plans that are aligned with their expectations and abilities [I5].</p>

more social and the benefits created from it, then such a movement will fall flat on its face. [U2].

We involve everyone in weekly meetings that overview the business and steps needed to grow so that everyone is involved and understands what is needed to keep the business sustainable. [U1].

4. Helping employees to stay up to date with sustainability agenda:

It may not class as a skill but we are constantly pushing and pushed to stay on top of social and sustainable news. To know what easy steps can be adopted in the work place to improve ourselves and our company, and even to stay up to date with what other social and sustainable companies are doing. [U2].

5. Being open, honest and transparent about company's financial status to employees to achieve business sustainability:

Being open, honest and transparent about our situation made everyone push harder to keep the company as sustainable as it could be until our cash cow came in. [U2]

3. Training on sustainability:

I regularly organize educational activities and courses for my employees [I3]

We prefer to build a collaboration with our employees and to 'teach' them to be sustainable [I5].

4. Build a wide array of skills within the organisation:

Normative knowledge and innovative capabilities [I1].

A shared knowledge of the domains in which the company acts and with reference to the company's stakeholders [I2].

We are trying to develop **relational skills** directed to support the sharing of information both inside and outside the company [I3].

I am trying to support **collaborative skills** in order to facilitate the emergence of shared approaches and visions inside the company [I4].

We are trying to overcome the boundaries of traditional knowledge by promoting **multidisciplinary activities** [I5].

Table 3. Owner-manager strategic directions and interactional practices related to sustainability

UK-based SMEs	Italy-based SMEs
<p>1. Practices to build close relationships with community that ensures company's success:</p> <p>“The physical space and community we work in is very small, however the business communities we are part of our great community and have gotten us to where we are” [U2]</p> <p>“I think about my community as the Scottish entrepreneurial ecosystem and I am very proud to be part of it. There are so many fantastic people that are willing to help start-ups get going.” [U3]</p> <p>“I believe Scotland and Glasgow has a wonderful culture, and people are really friendly and nice. They need more purpose, and that will take away the natural impulses to drink and get “happiness” through excessive small pleasures. People are so polite here, and I love that. I just want people who have lost their reason for being or working to see that there are great things to be accomplished and mastery and greatness is a wonderful and enlightening</p>	<p>1. Practices adopted to ensure mutual gains:</p> <p>Developing a roundtable that involves both entrepreneurs and others market actors. [I2]</p> <p>Underling the advantages that each actor can gain by collaborating both in terms of individual survival and in terms of value for society [I4]</p> <p>2. Actively supporting collaboration with partners:</p> <p>Combining several kind of backgrounds and supporting collaborating and sharing information with our partners. [I5]</p> <p>We have strong relationships with multiple actors that support our activities by also providing resources, ideas, and work. [I5]</p> <p>The community is going through a time of radical transformation and, from this point of view, new collaborative approaches are required to face the multiple challenges related to sustainability. [I4]</p> <p>3. Promoting social events and activities:</p> <p>Yes, promoting social events and activities to support social inclusion and development. [I4]</p>

process to begin and continue to practice”.

[U5]

2. Social services in terms of external talks as a strategy to tap into future workforce:

“We give talks at Schools, Colleges, and Universities to encourage students to pursue a career in technology and creative industry. We believe that design and computer science will have a profound effect on most industries, and having a strong community with communication skills in design and technology will elevate our society.” [U1]

“We engage with universities regularly, so that we can recruit talent as it emerges, we also believe that our company culture of being a values based business will inspire people to join our company.” [U1]

“We employ and hopefully inspire our employees and everyone who interacts with us or the business should have a positive, inspiring interaction. Michael and I regularly volunteer to speak at events and to business students, college students, business people, etc.” [U5]

4. Practices to influence others to be sustainable:

Yes, we think that sustainability is a collective challenge and we try to sensitize all our stakeholders about this by proposing projects, ideas, and plans based on the pillars of sustainability.

[I5]

5. Adopting a culture conducive for collaboration:

Sharing a sustainability culture inside the company and adopting it in every project [with peer SMEs]. [I1]

Table 4. The influence wielded by owner-managers and their practices on Authority

Ranking and sustainability practices

	UK-based SMEs	Italy-based SMEs
<i>Trust</i>	Most colleagues share a similar passion as my own [i.e., the owner manager's] [U1]	Defining common procedures useful to best qualify individual contributions to company activities [I1]
<i>Reciprocity</i>	[Skills of employees hire to ensure reciprocity] a passionate individual, who equally knows how to strategize to make the company more sustainable as we grow. [U2]	By involving all human resources in the development of a shared approach for the definition of a common programme for environmental protection. [I1] Supporting employee participation in activities..... supporting the sharing of sustainability principles. [I3]
<i>Reputation</i>	“Encouraging and motivating them [employees] everyday” [U1]	Yes, by promoting the topics of sustainability among employees. [I1]

Table 5. The influence wielded by owner-managers and their practices on Communal Sharing and Sustainability

	UK-based SMEs	Italy-based SMEs
<i>Trust</i>	<p>“We are optimistic. We believe that there’s a shift in consciousness among the current generation. That the old traditions in careers and business don’t guarantee security or success. That being self-sufficient and contributing to a common goal is the only way to have a successful society.” [U1]</p>	<p>We have strong relationships with multiple actors that support our activities by also providing resources, ideas, and work. [I5]</p>
<i>Reciprocity</i>	<p>“Our community is very important to us, we believe that it’s only together that we can advance.” [U1]</p> <p>Benefits to community:</p> <p>“I myself as a hobby try to promote small and local social enterprises by recording videos and putting them online for people to learn about them and I actually work with one of them alongside my football team in order to help women in Scotland who have had tragedies in their life and are trying to get back on their feet.” [U2]</p> <p>“I participate in conferences for example ‘equally safe in higher education’ that all helps shape the new policies to come from government.” [U3]</p> <p>Benefit to company:</p>	<p>Benefits to local community:</p> <p>We are promoting the provision of free essential creative and cultural services in order to ensure the balanced development of local society. [I4]</p> <p>[Contributes to the community by] respecting collective needs and expectations. [I1]</p> <p>Benefit to the company:</p> <p>Collaborating with social groups that act on the territory inspires the development of a logic of sustainability both inside and outside the company. [I4]</p>

	<p>“We engage with universities regularly, so that we can recruit talent as it emerges, we also believe that our company culture of being a values based business will inspire people to join our company.” [U1]</p> <p>“They provide the resources and environment for us to succeed.” [U4]</p>	
Reputation	<p>We use carbon neutral printers, our branded merchandise is ethically sourced, and where possible we look to work with green aware businesses. [U1]</p>	<p>Promoting social events and activities to support social inclusion and development. [I4]</p>

Table 6. Influence of the owner-managers and their practices on Equality Matching and Sustainability

	UK-based SMEs	Italy-based SMEs
<i>Trust</i>	<p>Establishing good relationships and just-in-time service delivery. We also manage the different stages to ensure an efficient coordination of activities. Kaizen which is the Japanese strategy for continuous improvement has always been our guiding mantra towards improving our supply chain dynamics. [U4]</p> <p>Build relationships over time and face to face. It's so worth the time investment. When you really need help you're asking help from your friends instead of just suppliers. Mutual trust is a great thing. [U5]</p>	<p>We are promoting several communication projects in which some local companies are engaged to define sustainable business models and market strategies. [I3]</p> <p>Through the collaboration with others SMEs, it is easier to develop shared approaches for sustainability that are capable of affecting the development and rules of society. [I3]</p>
<i>Reciprocity</i>	<p>For us we aim to appeal to the evolving attitude, perception and value our clients by strengthening our relationships with them. These activities include relationships with our suppliers and other relevant stakeholders too. These sustainable activities are based on the positive expectations that can be attributed to</p>	<p>Building a continuous flow for internal communication and defining shared strategies, aims, and pathways. [I2]</p> <p>Through our actions, we try to stimulate our clients and stakeholders to be more sustainable in their everyday actions and behaviours. [I4]</p>

	<p>this. For instance: It would have a positive impact in positioning our business within our local environment and society at large. [U4]</p>	<p>[Peer SMEs support the company] Supporting a wider understanding of sustainability principles and logics. [I2]</p> <p>Collaborating with other organizations widens my company’s perspective in understanding the relevance of sustainability. [I3]</p>
<p>Reputation</p>	<p>“We use eco-friendly companies where possible such as carbon neutral printers” [U1]</p>	<p>The supply chain is managed by promoting collaboration and coordination in the light of the laws on environmental and social protection. [I1]</p> <p>I try to select only suppliers that respect the laws on social and environmental protection and I involve them in the planning and implementation of company strategies. [I3]</p> <p>I select only suppliers that respect all the laws on environmental protection and that have quality certifications of their activities and strategies. [I4]</p>

Appendix

Sample Open-Ended Interview Questions

Open-Ended Interview Questions

Age of the company

Sector

Market

Stakeholders

Organizational Structure

Why this company?

What are the key processes you focussed on when building your company?

Owner-manager influence on company strategic decisions towards sustainability initiatives

1. What do you understand by the term sustainability?
2. What kind of sustainability activities do you engage in? Why?
3. Do you face any pressure to engage in sustainability activities?
4. What are the challenges you currently face?
5. How do you overcome those challenges?

Owner-manager strategic directions and human resource (HR) practices related to sustainability

6. What do you think about your employees?

7. Do you contribute to employees? How?

8. What do you think about your community?

Owner-manager strategic directions and interactional practices related to sustainability

9. Do you contribute to the community? How?

10. What do you think about society as a whole?

11. Do you contribute to society? How?

12. What do you think about nature?

13. Do you contribute to nature? How?

The influence wielded by owner-managers and their practices on Authority Ranking and sustainability practices

14. What is your opinion on sustainable business?

15. How do you manage your supply chain relationship?

16. What are the challenges for integrating sustainability in to your business?

The influence wielded by owner-managers and their practices on Communal Sharing and Sustainability

17. What kind of support you receive to be sustainable?

18. Do you support anyone to be sustainable? How?

19. In your opinion what kind of skills are important for managers to become pro social?

20. What extent your peer SMEs help you with sustainability initiatives?

21. When recruiting employees do you look out for specific skills that maybe relevant for sustainability?

The influence wielded by owner-managers and their practices on Equality Matching and Sustainability

22. How do you promote sustainability in your company?

23. How your affiliations with any support organisation or religious groups/activists contribute towards developing the sustainability agenda of your company?

24. What kind of skills you have tried to develop inside your company that have contributed towards your sustainability agenda?

25. In your opinion, what is the particular role of leader in stimulating sustainability in the company?